

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: CITY OF MANILLA, MUNICIPAL GAS DEPARTMENT	DOCKET NO. SPU-01-16
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**ORDER DOCKETING APPLICATION TO DISCONTINUE SERVICE FOR
FURTHER INVESTIGATION AND DIRECTING RESPONSES TO INQUIRIES**

(Issued March 18, 2002)

BACKGROUND

On October 25, 2001, the Utilities Board (Board) opened this docket to investigate whether the City of Manilla, Municipal Gas Department (Manilla), had discontinued natural gas service without Board approval in violation of Iowa Code § 476.20(1) (2001). The investigation was initiated based upon a letter filed on October 9, 2001, by Howard Ahrenholtz, Randy Ahrenholtz, Art Joens, Jay Miller, Terry Schechinger, and Marvin Vennink (Complainants). The filing was identified as Docket No. SPU-01-16. On November 2, 2001, Manilla filed a response indicating that it had not made a final decision whether to discontinue the service to Complainants and their properties.

The Board on January 18, 2002, issued an order directing Manilla to file an updated response concerning the decision to discontinue service. On January 24, 2002, Complainants filed supplemental information concerning the discontinuance. On February 20, 2002, Manilla filed the updated response and an application to

discontinue natural gas service to the following customers and locations:

Randy Ahrenholtz	3433 Hwy 141, Manilla, IA
Ahrenholtz Seeds	3431 Hwy 141, Manilla, IA
Terry Schechinger	3130 340th St., Manilla, IA
Art Joens	3166 340th St., Manilla, IA
Marvin Vennink	3246 340th St., Manilla, IA
Jay Miller	3270 340th St., Manilla, IA

On February 27, 2002, the Board issued an order allowing Complainants until March 11, 2002, to file a response to the application for discontinuance.

Complainants filed a response on March 11, 2002.

In support of the discontinuance, Manilla states that the customers all reside outside of the city limits and that on August 9, 2001, the pipeline serving the customers was severed. Manilla states that the pipeline serving the customers was 35 years old and was a three-inch PVC pipe composed of material not approved for use for natural gas service. Manilla then states that initial estimates to install a new pipeline ranged from \$81,000 to \$147,000.

Manilla indicates that two of the customers were provided electric water heaters to replace natural gas water heaters and that the customers were offered the option of being converted to LP gas to be paid for by Manilla. According to Manilla, the offer was made on September 18, 2001, and Complainants have not responded to the offer. Manilla states that it understands that all of the customers that needed winter heat converted to LP gas.

Manilla asserts that the cost of the construction of a new pipeline would have to be borne by the other 454 customers and that the original line was not constructed by Manilla, but by a seed company. Manilla asserts that the cost of a new line should

be borne by the end-users who would benefit from the service. In addition, Manilla contends the type of pipe used in the original construction indicates that the seed company did not intend for the line to be permanent. Finally, Manilla indicates that it will pay for the cost of conversion up to \$2500 per customer and the natural gas needs of the customers can be effectively provided by LP gas conversion.

In the March 11, 2002, response, Complainants provide a synopsis of the installation of the pipeline, its most current use by Complainants, and the circumstances of the severing of the line. Complainants indicate the line has been in existence for approximately 34 years and was approved and installed under the direction of Manilla. Complainants indicate that Manilla was allowed to tap into the main supply line at the Northern Natural Gas Company (NNG) substation and a local plumber did the work.

Complainants indicate that the line was severed at least three other times and was repaired by Manilla and marked. Complainants allege that the line was not properly buried and did not have a sensor for locating the line. The contract signed by Manilla places control and supervision of the construction of the line under the direction of Manilla, and Manilla has the right to add additional customers to the line.

Complainants then state that "[s]ubsequent to the installation of the natural gas pipeline by the City of Manilla, the City has initiated the connection of customers all along the natural gas pipeline and has begun the maintenance and control of the pipeline inclusive of customer billing statements." Complainants state Manilla installed service lines to all adjacent property owners along the line. Complainants

allege that Manilla encouraged commercial usage by each of the customers for grain drying facilities and hog confinement units. Complainant alleges that Manilla has received revenue for supplying natural gas to the customers of the line.

Complainants obtained their own estimate from J.E.O. Consulting Group, for the construction of a new pipeline. For a two-inch pipeline, Complainants obtained a bid of \$59,975.00 for the main line. Complainants allege that a two-inch line would be adequate to serve the various uses. Complainants then state that the cost of converting their facilities to propane would range from a minimum of \$4500 to a maximum of \$30,000. This Complainants point out this is significantly above the \$2500 Manilla offered for conversion. Complainant's usage includes residential usage, dryers, heaters, and other uses. Finally, Complainants state the discontinuance will significantly reduce the value of their properties and the seed business will not be able to continue without natural gas.

Iowa Code § 476.20(1) requires that a utility obtain the approval of the Board before it can discontinue, reduce, or impair service to a community or part of a community. Board rules, 199 IAC 7.12(5), establish that an application for discontinuance will be granted if the Board finds "the utility service is no longer necessary, or if the Board finds the transferee is ready, willing, and able to provide comparable utility service." Subrule 199 IAC 7.12(3) requires that the Board approve the application for discontinuance within 30 days or docket it for further investigation.

The Board has reviewed the additional information filed by Complainants and the information supplied by Manilla in support of the application. Based upon that

review, the Board has determined that the application should be docketed for further investigation and additional information requested from the parties. Additionally, the Board must decide whether this matter should be set for an evidentiary hearing.

In making its decision, the Board must apply the criteria set out above from 199 IAC 7.12(5). That criterion focuses on the necessity of the natural gas service to the customers or the availability of comparable alternative service. Additional information is needed for the Board to render a decision and the Board will direct that Complainants and Manilla respond to the following inquiries.

INQUIRIES

1. It appears from the original contract between Manilla and Super Cross Hybrids, Inc., that Manilla assumed responsibility for the construction, operation, and maintenance of the pipeline in question, and Super Cross Hybrid, Inc., paid the cost of construction. Is there agreement that Manilla assumed this responsibility and that Super Cross Hybrid, Inc., paid for the construction?

2. Who paid for the costs of installing service lines to Complainants' properties adjacent to the line in question? Provide documentation of the cost of installing the service lines.

3. Provide the dates, locations, and costs of all instances where the line in question was previously damaged and repaired. Indicate who paid the costs of repair for each instance.

4. Provide a copy of any line extension, line repair, or line upgrade policy or ordinance under which Manilla provides service to customers from its natural gas distribution system.

5. Provide a list of all service extensions from the line in question to Complainants' properties. Provide a list of all appliances or other uses that require natural gas for each of the properties of Complainants.

6. Provide the dates that the seed corn plant has operated over the last five years and the cubic feet of gas consumed for each year during this period.

7. Is there agreement that a two-inch pipeline is adequate for the natural gas needs of the Complainants? Describe any changes in usage that have occurred on the line that supports the installation of a two-inch line rather than the original three-inch line.

8. Referring to the bids submitted by Manilla and Complainants, indicate whether there is agreement on the estimated cost of five standard residential size service lines. If there is no agreement, provide separate cost estimates.

9. Referring to the bids submitted by Manilla and Complainants, indicate whether there is agreement on any additional estimated costs for the construction of a 13,000 feet two-inch feeder line and five standard residential size service lines and what those costs are. If there is no agreement, provide separate cost estimates.

10. Provide the costs of converting Complainants fully to propane for each of the uses listed in inquiry number five above.

11. Provide the costs of converting Complainants to electric service for each of the uses listed in inquiry number five above.

ORDERING CLAUSES

IT IS THEREFORE ORDERED:

1. Pursuant to the provisions of 199 IAC 7.12(3), the application of discontinuance of service filed by the City of Manilla, Iowa, on February 20, 2002, is docketed for further investigation.
2. Responses to the inquiries set out in this order shall be filed on or before April 1, 2002.
3. Any party requesting an evidentiary hearing in this matter shall do so on or before April 1, 2002.

UTILITIES BOARD

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 18th day of March, 2002.